

Blueprint Maryland

THE STATE'S HOUSING ECONOMY IN REVIEW JUNE – JULY 2006

Second Home Purchases Increase Rapidly in Maryland

The nation's housing market has been the main engine of economic growth since 2000. From 2000 to 2005, the share of housing production in total economic output grew from 2.7 percent to 3.8 percent in the U.S. and from 1.6 percent to 1.9 percent in Maryland.

The robust performance of the housing market in the past five years has been fueled by historically low mortgage rates and the proliferation of creative financing products such as interest-only loans and variable rate mortgages. The period also witnessed an important shift in the composition of the housing market. According to Home Mortgage Disclosure Act (HMDA) data compiled from the Federal Financial Institutions Examination Council, from 2000 to 2004, the share of non-owner occupied loans, or loans

for the acquisition of vacation and investment properties, increased from 7.1 percent to 13.7 percent in the U.S. and from 5.5 percent to 11.4 percent in Maryland. During the same period, the share of non-owner occupied home purchases increased from 12.2 percent to 22.4 percent in Delaware, from 10.5 percent to 15.4 percent in West Virginia, from 7.1 percent to 14.2 percent in Washington D.C., from 6.1 percent to 11.2 percent in Pennsylvania and from 4.8 percent to 11.0 percent in Virginia. (See Exhibit 1).

As shown in Exhibit 2, in the year 2000, the share of investment and second home mortgages as a percent of all home mortgage loans exceeded ten percent in Worcester County (62 percent), Garrett County (57 percent), Kent County (24 percent), Baltimore City and Talbot County (16 percent each), Dorchester County (13 percent), and Somerset

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National Economic Digest

Economy's Growth Rate Picks Up

The U.S. Census Bureau reported that in the first quarter of 2006, the U.S. economy grew at an annualized rate of 5.3 percent, up from earlier estimate of 4.8 percent released in March. Growth rebounded from the soft, fourth quarter 2005 rate of 1.7 percent, due to strong growth in personal consumption expenditures, especially on vehicle purchases; increases in exports; stronger investment in equipment and software; and an increase in federal spending. The personal consumption expenditures price index (PCE) rose by 3.0 percent in the current quarter, unchanged from the fourth quarter 2005. Despite the current high rate of inflation, the core inflation rate remains low. The PCE index, excluding

food and energy prices, grew at an annualized rate of only 1.9 percent in the first quarter of 2006, down from 2.0 percent rise in the fourth quarter 2005. In this quarter, corporate profits from current production set another record, rising by 7.9 percent to \$1,595 billion, indicating that American firms continue to benefit from significant gains in productivity.

Chicago Fed National Activity Index Up Modestly

The Chicago Fed National Activity Index (CFNAI) posted a minor gain in April, rising to +0.38 from +0.35 in March, indicating a national economy that is continuing to expand at an above average pace. The three-month moving average remained roughly steady at +0.25, indicating an above-

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Maryland Department of Housing and Community Development

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ROBERT L. EHRlich, JR.
Governor

The costs of downpayment and settlement can overwhelm first-time homebuyers and is often listed by potential homeowners as the main barrier to homeownership. To mitigate the impact of this barrier to homeownership, the Maryland Department of Housing and Community Development (DHCD), introduced the House Keys 4 Employees program last year. The program is an innovative partnership between the State and Maryland employers to assist employees become homeowners. In addition to the Department's standard, zero-percent, deferred, \$5,000 Downpayment Settlement Expense Loan Program, the State matches employer contributions, dollar-for-dollar, up to \$5,000, toward downpayment and closing costs. Currently, 36 employers with well over 150,000 employees participate in this program. Since its inception in September 2005, this initiative has helped 107 Maryland workforce families to become homeowners. I strongly urge employers, local governments and other organizations to partner with DHCD to help their employees realize the dream of homeownership. Please visit www.mdhousing.org for more information.

County (12 percent). By 2004, these shares had grown significantly, reaching 75 percent in Worcester County, 60 percent in Garrett County, 33 percent in Kent County, 28 percent each in Baltimore City and Somerset County, and 24 percent in Dorchester County. In addition, more than ten percent of all homes purchased in Wicomico County (18 percent), Allegany and Queen Anne's counties (15 percent each), Caroline and Washington counties (14 percent each), and Cecil County (13 percent) where purchased for investment or vacation purposes in 2004.

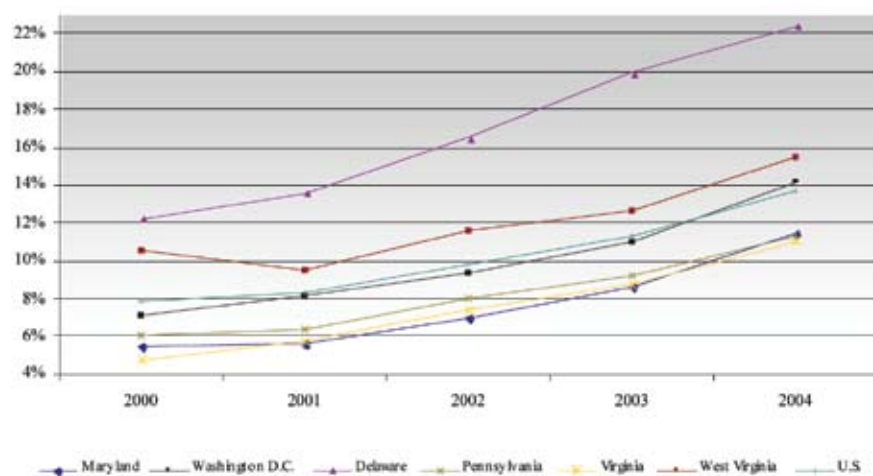
From 2000 to 2004, the number of mortgage loans for the purchase of investment properties and second homes rose by 131 percent to 662,178 units in the U.S. and by 194 percent to 16,987 units in Maryland. In comparison, the number of homes purchased for owner occupancy rose by only 23 percent to 5,389,604 units in the U.S. and by 33 percent to 131,722 units in Maryland. Among Maryland's neighbors, the fastest growth in investment and vacation type property purchases occurred in Virginia (235 percent), while the slowest growth took place in West Virginia (74 percent). Throughout Maryland, the high growth counties included Charles (596 percent), Wicomico (571 percent) and Prince George's (551 percent), while the slow growth jurisdictions included Allegany County (71 percent), Worcester County (65 percent) and Garrett County (35 percent).

The rapid increase in both the share and volume of homes purchased for investment has its roots in recent changes in tax law, poor performance of equity markets, demographic changes, lower mortgage rates and significant innovations in financial markets. Changes in tax law in 1997 made investment and second home purchases financially more attractive to homeowners. Tax law reform allowed home sellers to exclude up to \$500,000 in capital gains from taxation so homeowners did not have to buy more expensive homes to avoid capital gains. Rather, it became

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From 2000 to 2004, the share of non-owner occupied loans, or loans for the acquisition of vacation and investment properties, increased from 7.1 percent to 13.7 percent in the U.S. and from 5.5 percent to 11.4 percent in Maryland.

EXHIBIT 1: NUMBER OF LOANS PURCHASED FOR INVESTMENT AND VACATION HOMES AS A PERCENTAGE OF TOTAL LOANS ORIGINATED



Source: Home Mortgage Disclosure Act (HMDA)

The rapid increase in both the share and volume of homes purchased for investment has its roots in recent changes in tax law, poor performance of equity markets, demographic changes, lower mortgage rates and significant innovations in financial markets.

EXHIBIT 2: VOLUME AND VALUE OF MORTGAGE LOANS FOR INVESTMENT AND VACATION PROPERTIES

| JURISDICTION | 2004 (\$000's) | | % CHANGE 2000-2004 | | % OF ALL LOANS | |
|------------------|-----------------------|----------------|--------------------|-------------|----------------|------------|
| | Value | Volume | Value | Volume | 2000 | 2004 |
| Allegany | 6,902 | 111 | 156% | 71% | 9% | 15% |
| Anne Arundel | 253,425 | 1,302 | 457% | 315% | 3% | 9% |
| Baltimore | 145,041 | 1,126 | 479% | 279% | 2% | 7% |
| Baltimore City | 251,837 | 3,168 | 270% | 143% | 16% | 28% |
| Calvert | 48,848 | 243 | 293% | 176% | 5% | 10% |
| Caroline | 10,896 | 87 | 285% | 278% | 6% | 14% |
| Carroll | 38,633 | 235 | 368% | 246% | 2% | 6% |
| Cecil | 48,684 | 316 | 228% | 118% | 9% | 13% |
| Charles | 49,065 | 341 | 932% | 596% | 2% | 7% |
| Dorchester | 21,635 | 124 | 291% | 265% | 13% | 24% |
| Frederick | 117,796 | 714 | 720% | 403% | 3% | 9% |
| Garrett | 124,005 | 393 | 163% | 35% | 53% | 60% |
| Harford | 54,116 | 425 | 419% | 263% | 3% | 6% |
| Howard | 96,110 | 487 | 570% | 313% | 2% | 6% |
| Kent | 24,704 | 115 | 286% | 126% | 24% | 33% |
| Montgomery | 400,490 | 1,767 | 440% | 238% | 2% | 7% |
| Prince George's | 270,266 | 2,070 | 902% | 551% | 2% | 8% |
| Queen Anne's | 42,051 | 204 | 267% | 214% | 7% | 15% |
| Somerset | 9,155 | 75 | 556% | 369% | 12% | 28% |
| St. Mary's | 35,096 | 237 | 378% | 309% | 4% | 9% |
| Talbot | 63,307 | 204 | 149% | 129% | 16% | 21% |
| Washington | 56,702 | 459 | 882% | 467% | 4% | 14% |
| Wicomico | 38,536 | 369 | 1012% | 571% | 5% | 18% |
| Worcester | 549,715 | 2,415 | 270% | 65% | 62% | 75% |
| Maryland | 2,757,015 | 16,987 | 369% | 194% | 6% | 11% |
| Washington, D.C. | 475,864 | 1,974 | 444% | 189% | 7% | 14% |
| Delaware | 916,355 | 4,387 | 276% | 132% | 12% | 22% |
| Pennsylvania | 2,100,547 | 21,568 | 215% | 122% | 6% | 11% |
| Virginia | 3,686,275 | 23,144 | 440% | 235% | 5% | 11% |
| West Virginia | 299,472 | 3,173 | 185% | 74% | 11% | 15% |
| U.S. | \$ 126,464,382 | 862,178 | 186% | 131% | 8% | 14% |

Source: Home Mortgage Disclosure Act (HMDA)

plausible to purchase a less expensive primary residence and a second home, whether used as a vacation home or for investment purposes. Many homeowners purchase second homes to diversify investments. Because of the volatility of the stock market since 1999, the housing market provided investors with a more attractive alternative to stocks. Between 2000 and 2005, real estate gains substantially exceeded returns on equities. During this period, existing home prices appreciated by 39 percent in the U.S. and by 102 percent in Maryland, while the Standard & Poor's 500 index declined by five percent.

Demographic changes also favor the trend toward ownership of second or investment homes. The baby boomers, those born between 1946 and

1964, have become increasingly active in the real estate market. According to the National Association of Realtors' 2005 Profile of Second Home Owners, a typical vacation home purchaser is 52 years old and earns \$82,800 annually, while an average investor homebuyer has a median age of 49 and earns \$81,400 annually. The baby-boomers, comprising nearly 25 percent of all homeowners, are now at the peak of their earnings, are equity rich with homes that have appreciated significantly in recent years, are aware of investment opportunities for diversification in the real estate markets, and are planning for their impending retirement. As a result, they are motivated to purchase properties that would provide them with a short-term vacation residence and a long-term retirement home. ■

U.S. economic growth rebounded sharply in the first quarter of 2006, as the national economy grew at a 5.3 percent annualized rate compared to a 1.7 percent growth rate reported in the last quarter of 2005.

Residential Construction

U.S. Construction Spending Edged Down in April

The U.S. Census Bureau reported that the April construction spending in the U.S. declined, for the first time in ten months, by 0.1 percent to a seasonally adjusted annual rate of \$1.196 trillion due to decreases in both private and public spending. Private construction spending decreased by 0.1 percent to a seasonally adjusted annual rate of \$0.933 trillion, prompted by a major decline in residential construction spending. Private residential construction was down 1.1 percent after three consecutive months of decline in housing starts. Private nonresidential construction increased for the sixth consecutive month by 1.1 percent due to increased spending in the commercial, office, manufacturing, and lodging areas. However, growth in nonresidential construction spending was not sufficient enough to overcome the decrease in residential spending, resulting in an overall decline in private construction spending. Public construction softened for the first time in seven months, as it was down 0.2 percent to a seasonally adjusted annual rate of \$0.263 trillion. The primary reason for the decline in public construction spending in April was a 0.6 percent reduction in the construction of educational buildings. However, compared to April 2005, total construction spending was up 8.5 percent due to an 8.6 percent increase in total private construction spending and an 8.2 percent rise in public construction.

Housing Market Index Weakened

Homebuilder optimism as measured by the National Association of Home Builders' Housing Market Index declined for the seventh consecutive month in May. The Index declined by 6.0 points to 45, its lowest level since June 1995. The weakness in homebuilders'

optimism was widespread as all components of the Index declined. More importantly, the Index is now at a level where conditions are viewed as unfavorable by the majority of homebuilders. The present sales component declined by 5.0 points to 50, the future sales component fell 5.0 points to 54, and the component measuring the traffic of prospective buyers dropped by 7.0 points to 32. Homebuilder optimism decreased in each of the four Census regions. Optimism declined 8 points to 61 in the West, 6 points to 51 in the South, 3 points to 47 in the Northeast, and 2 points to 30 in the Midwest. The most positive news is that conditions are still viewed as favorable in the West and the South. The Northeast slipped into unfavorable territory during the month, while the Midwest continued to get even weaker. The continuing weakness in homebuilder optimism is the result of persistent increases in interest rates, weakening affordability, and lack of demand from investors and speculators.

Multi-Family Building Permits Up in Maryland

Private building permits in the U.S. decreased by 13.8 percent in April to 164,880 units. Single-family permits declined by 11.0 percent to 129,390 units and multi-family permits were down 22.7 percent to 35,490 units. Compared to April 2005, residential building permits issued were down 14.2 percent, as both single-family and multi-family permits decreased by 14.7 percent and 12.6 percent, respectively.

In the Census' South region which includes Maryland, the April volume of building permits decreased by 17.3 percent to 81,600 units. The region's single-family permits were down 16.9 percent to 64,700 units while multi-family permits

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The volume of multi-family building permits issued in Maryland increased by 254.6 percent in April to 922 units, representing a growth of 143.9 percent from last year.

declined by 18.7 percent to 16,900 units. Compared to April 2005, residential building permits issued in the South region decreased by 8.4 percent, as single-family and multi-family permits were down 10.2 percent and 0.8 percent, respectively.

The volume of building permits issued in Maryland increased by 16.5 percent in April to 2,852 units. Single-family permits declined by 11.8 percent to 1,930 units, while multi-family permits were up 254.6 percent to 922 units. Compared to April 2005, residential building permits issued for all units increased by 2.4 percent, reflecting a decrease of 19.8 percent for single-family units and an increase of 143.9 percent for multi-family structures.

Housing Starts Unchanged in U.S.

Nationally, residential construction in April was unchanged at 159,400 units. Single-family construction rose by 2.8 percent to 133,400 units, while multi-family construction was down 12.2 percent to 26,000 units. Compared to April 2005, housing starts in the U.S. decreased by 12.7 percent, as single-family starts were down 9.8 percent while multi-family starts decreased by 25.1 percent. Housing starts decreased in the South region by 9.6 percent to 74,200 units in April, as single-family starts were down 9.6 percent to 62,500 units and multi-family construction decreased by 10.0 percent to 11,700 units. Compared to April 2005, residential housing starts were down 21.9 percent, reflecting decreases of 21.1 percent in single-family construction, and of 25.9 percent in multi-family housing activity. Housing starts in Maryland were down 14.4 percent in April to 2,190 units. Across product types, single-family housing starts decreased by 11.8 percent to 1,930 units, and multi-family starts were down 29.7 percent to 260 units. Compared to April 2005, Maryland housing starts were down 38.7 percent, as both single-family and multi-family construction decreased by 19.8 percent and 77.6 percent, respectively.

Housing Completions Down in U.S.

Nationally, housing completions in April decreased by 4.2 percent to 162,600 units. Across the nation, single-family completions were down 3.7 percent to 139,200 units and multi-family completions declined by 7.1 percent to 23,400 units. Compared to April 2005, housing completions increased by 10.2 percent, as single-family completions were up 11.6 percent, and multi-family completions rose by 4.5 percent. In the South region, housing completions decreased by 10.6 percent to 78,100 units in April. Single-family completions were down 9.2 percent to 68,400 units, and multi-family completions decreased by 19.8 percent to 9,700 units. Compared to last year, housing completions in this region were up 13.2 percent, due to an increase of 17.7 percent in single-family completions and a decline of 11.0

percent in multi-family completions. The number of housing units completed in Maryland decreased by 6.8 percent to 2,748 units in April. Single-family completions rose by 17.8 percent to 2,088 units while multi-family completions were down 43.9 percent to 660 units. Compared to April 2005, housing completions were up 6.3 percent in Maryland, as single-family completion rose by 10.2 percent while multi-family completions decreased by 4.5 percent.

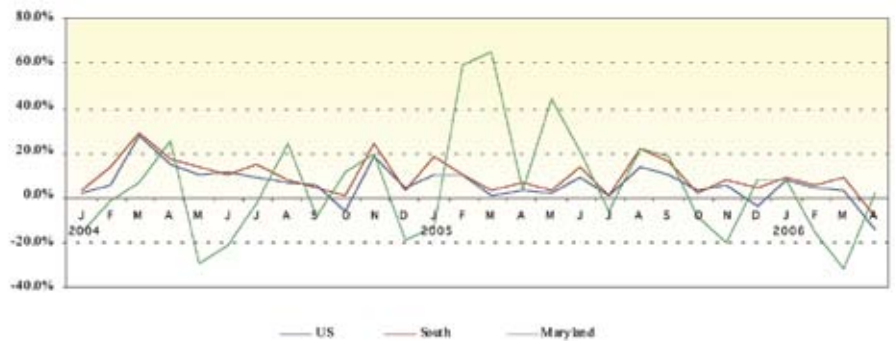
Residential Construction in Maryland Counties

Across Maryland, the value of housing permits in April increased by 6 percent to \$390 million. Maryland jurisdictions that reported gains in the number and value of building permits issued for this

month included Calvert, Frederick, Montgomery, Prince George's, and Queen Anne's counties, as well as Baltimore City. Statewide, the value of housing starts decreased by 13.3 percent to \$328 million in April. Overall, five Maryland jurisdictions reported gains in the number and value of housing starts, including Allegany, Baltimore, Calvert, and Montgomery counties, and the City of Baltimore. The value of housing units completed in Maryland increased by 3 percent to \$372 million in April. Maryland jurisdictions that reported gains in the number and value of housing completions included Anne Arundel, Baltimore, Calvert, Carroll, Harford, and Howard counties. ■

RESIDENTIAL BUILDING PERMITS – ALL UNITS

Percent Change from Same Month Previous Year



RESIDENTIAL CONSTRUCTION – APRIL 2006

| JURISDICTION | PERMITS | | STARTS | | COMPLETIONS | |
|-----------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|
| | Units | \$ 000s | Units | \$ 000s | Units | \$ 000s |
| Allegany | 3 | 310 | 8 | 504 | 8 | 540 |
| Anne Arundel | 138 | 22,353 | 126 | 19,902 | 293 | 41,216 |
| Baltimore | 240 | 37,692 | 330 | 44,585 | 139 | 19,406 |
| Baltimore City | 100 | 12,425 | 82 | 10,054 | 63 | 7,164 |
| Calvert | 31 | 5,476 | 31 | 5,476 | 60 | 11,848 |
| Caroline | 2 | 600 | 2 | 600 | 0 | 0 |
| Carroll | 64 | 10,300 | 66 | 10,457 | 57 | 8,670 |
| Cecil | 61 | 7,663 | 67 | 8,606 | 66 | 9,621 |
| Charles | 82 | 18,398 | 80 | 18,676 | 77 | 17,666 |
| Frederick | 171 | 18,581 | 105 | 16,876 | 104 | 14,532 |
| Garrett | 32 | 6,634 | 32 | 6,634 | 24 | 5,137 |
| Harford | 81 | 12,624 | 63 | 10,247 | 152 | 22,995 |
| Howard | 138 | 21,673 | 138 | 21,673 | 140 | 17,756 |
| Kent | 2 | 280 | 2 | 280 | 5 | 425 |
| Montgomery | 801 | 88,148 | 60 | 21,648 | 283 | 42,452 |
| Prince George's | 338 | 61,120 | 338 | 61,120 | 211 | 38,105 |
| Queen Anne's | 29 | 5,205 | 29 | 5,205 | 74 | 6,447 |
| St. Mary's | 76 | 12,082 | 94 | 13,305 | 81 | 12,028 |
| Washington | 49 | 5,124 | 45 | 4,782 | 166 | 21,381 |
| Wicomico | 65 | 7,467 | 53 | 6,505 | 52 | 6,195 |
| Worcester | 25 | 6,212 | 70 | 9,124 | 95 | 13,846 |
| Maryland | 2,852 | \$ 389,874 | 2,190 | \$ 327,516 | 2,748 | \$ 371,716 |

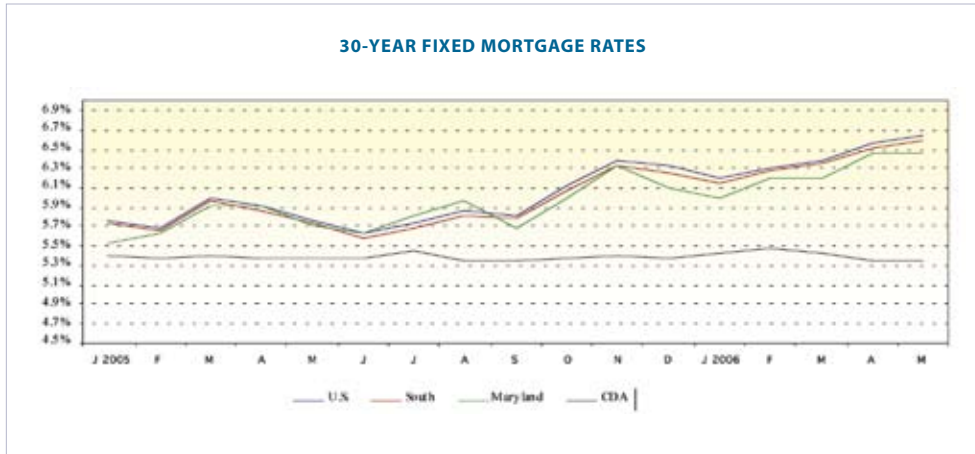
*Totals do not add up since data for Dorchester, Somerset and Talbot counties are not available.
Statewide data are based on the projections made by the Census Bureau.

Mortgage Rates

Mortgage Rates Continue to Climb in May

Effective 30-year fixed mortgage rates—rates that account for variations in points—rose in May. From April to May, Freddie Mac's 30-year effective fixed mortgage rate increased from 6.56 percent to 6.65 percent in the U.S. and from 6.51 percent to 6.59 percent in the South region. The 30-year fixed—effective mortgage rate in Maryland also edged up, rising from 6.46 percent in April to 6.47 percent in May. The Maryland commercial fixed mortgage rate is now 18 basis points below the national rate.

The effective mortgage rate of the Community Development Administration (CDA), an arm of the Maryland Department of Housing and Community Development, remained at 5.34 percent in May. The CDA's Maryland Mortgage Program (www.morehouse4less.com) provides low-interest mortgage loans to eligible homebuyers through private lending



institutions throughout the State. The CDA's effective rate is now 113 basis points below the average effective commercial mortgage rate in Maryland, and 131 basis points below Freddie Mac's national average rate. ■

CDA Maryland Mortgage Program
The smart choice for first-time homebuyers

morehouse4less.com

Home Sales

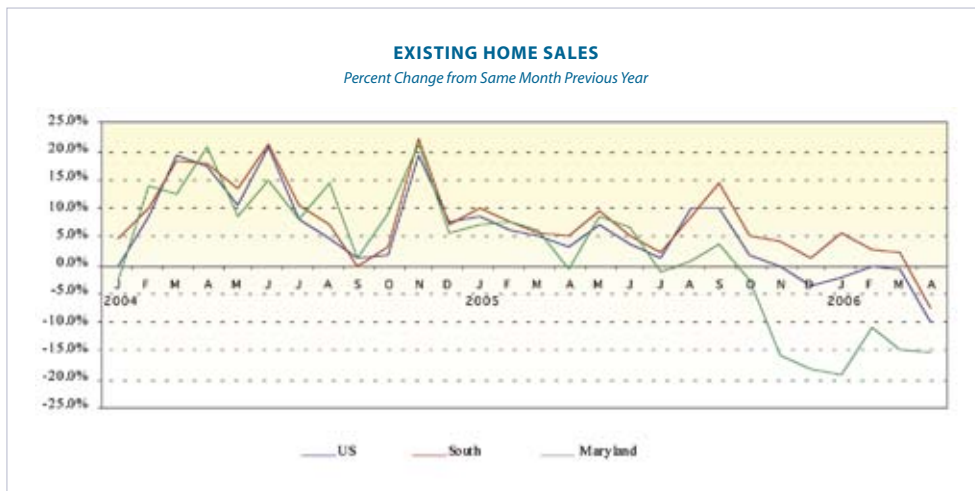
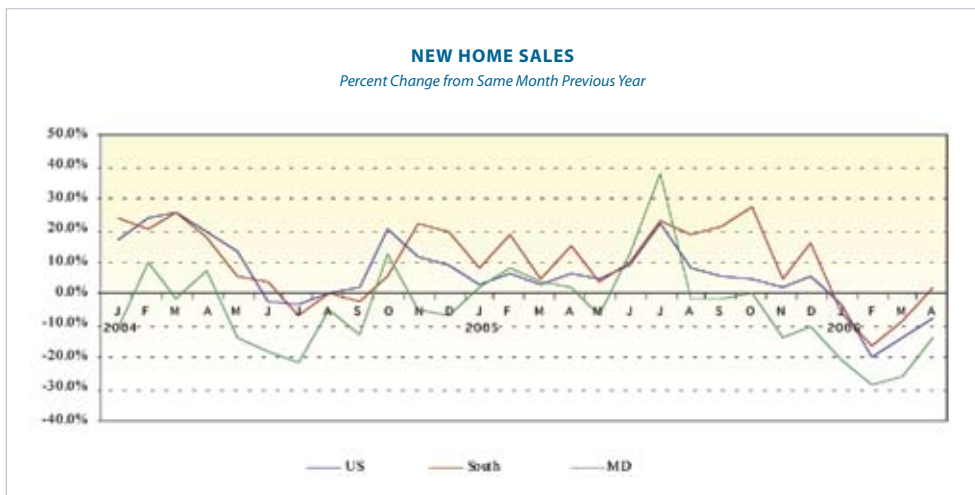
Home Prices Appreciate as Sales Continue to Slump

According to the Census Bureau, new home sales in the U.S. decreased to 107,000 units in April, following a substantial downward revision for the first quarter of 2006. The April sales pace declined by 2.7 percent from March and by 7.8 percent from the previous year. The national median sale price of new homes increased by 2.8 percent in April to \$238,500. There were 558,000 available new homes on the market. The national months' supply was up 12.2 percent in April to 5.2 months. Compared to last year, the months' supply increased 37.2 percent. In the South region, new home sales declined to 55,000 units in April. Compared to last year, new home sales in the South region were up 1.9 percent. The April inventory of new homes in the South region rose to a 5.2 months' supply, representing an increase of 14.1 percent over March and an increase of 34.1 percent over the previous year. In Maryland, a total of 1,292 new homes were sold in April, representing declines of 3.5 percent from last month and 13.2 percent from April 2005.

U.S. Existing Home Sales Rose in April

Existing home sales increased in April while inventories reached record highs. Sale of existing homes rose nationwide to 562,000 units in April, following a downward revision in March. Home sales rose 1.4 percent from March but declined 10.1 percent from last year. Nationally, the total housing inventory rose 5.8 percent in April to a 6.0 months'

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REAL ESTATE TRANSACTIONS IN MARYLAND – APRIL 2006

| JURISDICTION | DAYS ON MARKET | | | HOUSING UNITS SOLD | | | Housing Inventory | MONTHS' SUPPLY | | |
|-----------------|----------------|-------------|------------|--------------------|-------------|------------|-------------------|------------------|-------------|------------|
| | Current Month | Change from | | Current Month | Change from | | | Number of Months | Change From | |
| | | Last Year | Last Month | | Last Year | Last Month | | | Last Year | Last Month |
| Allegany | 127 | -2.3% | 64.9% | 68 | 30.8% | 17.2% | 220 | 3.2 | -23.2% | -14.3% |
| Anne Arundel | 62 | 40.9% | 0.0% | 660 | -10.0% | 3.1% | 3,314 | 5.0 | 145.5% | 8.9% |
| Baltimore | 47 | 17.5% | -11.3% | 855 | -12.8% | 8.1% | 2,645 | 3.1 | 123.0% | -1.4% |
| Baltimore City | 58 | -22.7% | -4.9% | 852 | -21.3% | -4.8% | 3,688 | 4.3 | 212.7% | 11.3% |
| Calvert | 76 | 16.9% | 2.7% | 118 | -28.9% | 6.3% | 779 | 6.6 | 201.9% | 1.1% |
| Caroline | 119 | -3.3% | 1.7% | 32 | -34.7% | -23.8% | 316 | 9.9 | 120.9% | 30.4% |
| Carroll | 65 | 20.4% | -8.5% | 162 | -16.5% | -13.4% | 897 | 5.5 | 116.6% | 28.5% |
| Cecil | 77 | 26.2% | -2.5% | 90 | -35.7% | -4.3% | 743 | 8.3 | 153.5% | 7.6% |
| Charles | 40 | 14.3% | -13.0% | 230 | -10.5% | -2.1% | 918 | 4.0 | 193.9% | 14.2% |
| Dorchester | 150 | 66.7% | 20.0% | 27 | -38.6% | -20.6% | 448 | 16.6 | 159.8% | 30.3% |
| Frederick | 65 | 124.1% | 0.0% | 314 | -22.7% | -0.3% | 1,686 | 5.4 | 199.4% | 9.3% |
| Garrett | 139 | -31.5% | 52.7% | 49 | -30.0% | 11.4% | 429 | 8.8 | 90.3% | -5.6% |
| Harford | 59 | 47.5% | 0.0% | 356 | 8.5% | 9.9% | 1,281 | 3.6 | 59.1% | -3.2% |
| Howard | 51 | 104.0% | -1.9% | 304 | -20.8% | -8.7% | 1,381 | 4.5 | 210.4% | 29.5% |
| Kent | 146 | -15.1% | -21.9% | 24 | 4.3% | 200.0% | 264 | 11.0 | 47.1% | -66.3% |
| Montgomery | 49 | 122.7% | -2.0% | 1,168 | -14.2% | 5.7% | 4,506 | 3.9 | 182.0% | 9.6% |
| Prince George's | 37 | 23.3% | -7.5% | 1,113 | -12.0% | -3.5% | 2,766 | 2.5 | 170.1% | 9.4% |
| Queen Anne's | 112 | 1.8% | 2.8% | 57 | -25.0% | -8.1% | 533 | 9.4 | 77.2% | 12.1% |
| St. Mary's | 66 | 46.7% | 8.2% | 126 | -8.0% | 16.7% | 610 | 4.8 | 136.0% | -6.1% |
| Talbot | 134 | -1.5% | -27.2% | 42 | -40.0% | -16.0% | 582 | 13.9 | 125.1% | 31.0% |
| Washington | 86 | 30.3% | 2.4% | 140 | -32.4% | -7.9% | 1,073 | 7.7 | 208.7% | 22.5% |
| Maryland | 56 | 28.2% | -2.7% | 6,787 | -19.0% | 0.7% | 29,079 | 4.3 | 157.8% | 8.6% |

Note: Data for Somerset, Wicomico and Worcester counties were not available.

Source: Metropolitan Regional Information Systems, Inc. and Maryland Department of Housing and Community Development

MARYLAND PENDING HOME SALES INDEX APRIL 2006

| JURISDICTION | Pending Sales | INDEX | | |
|-----------------|---------------|--------------|--------------|--------------|
| | | Index Value | Change From | |
| | | | Last Month | Last Year |
| Allegany | 83 | 169.4 | 13.7% | -12.6% |
| Anne Arundel | 769 | 126.5 | -11.6% | -22.1% |
| Baltimore | 1,078 | 144.6 | -4.9% | -12.9% |
| Baltimore City | 1,170 | 192.4 | -7.3% | -15.4% |
| Calvert | 122 | 107.4 | -17.6% | -31.1% |
| Caroline | 47 | 175.7 | 14.6% | -7.8% |
| Carroll | 229 | 132.4 | -5.4% | -9.5% |
| Cecil | 150 | 192.1 | 22.0% | 15.4% |
| Charles | 314 | 214.8 | 4.7% | 6.8% |
| Dorchester | 39 | 138.5 | -11.4% | -27.8% |
| Frederick | 390 | 150.6 | -6.5% | -19.1% |
| Garrett | 46 | 137.0 | -2.1% | -4.2% |
| Harford | 387 | 167.1 | -7.4% | -13.2% |
| Howard | 428 | 123.3 | 10.3% | -16.2% |
| Kent | 31 | 155.0 | 6.9% | 10.7% |
| Montgomery | 1,393 | 111.6 | -2.3% | -23.0% |
| Prince George's | 1,373 | 146.5 | -1.4% | -9.1% |
| Queen Anne's | 83 | 137.6 | -10.8% | -26.5% |
| St. Mary's | 173 | 201.6 | 10.2% | -10.4% |
| Talbot | 71 | 134.4 | 29.1% | -4.1% |
| Washington | 156 | 138.9 | -8.8% | -42.2% |
| Maryland | 9,312 | 155.3 | -2.8% | -8.2% |

Note: Due to lack of available data, the Index can not be calculated for Somerset, Wicomico, and Worcester counties.

Source: Metropolitan Regional Information Systems, Inc. and Maryland Department of Housing and Community Development

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supply, representing a balanced housing market. Compared to April 2005, the housing inventory was up 36.7 percent. The median price of existing homes increased 2.3 percent to \$223,000 in April. Compared to last year, the national median home sale price was up 4.2 percent. Existing home sales in the South region slipped to 216,000 units, representing decreases of 0.5 percent and 7.7 percent from March and the previous year, respectively. The median home sale price in the South region remained unchanged relative to the revised March estimate of \$180,000. Compared to last year, the South region's median home sale price was up 3.4 percent.

In April, the number of existing homes sold in Maryland increased by 0.7 percent to 6,787 units but was down 15.4 percent from last year. The inventory of Maryland homes available for sale increased by 9.3 percent to 29,079 units, the equivalent of a 4.3 months' supply. The April supply represented an increase of 8.6 percent over last month and a jump of 147.0 percent over April 2005. The median sale price of existing homes in Maryland increased by 2.4 percent in April to \$305,720, up 10.8 percent from the previous year.

Mortgage Application Index Down

Mortgage demand weakened in May, with the Mortgage Application Index of Mortgage Bankers Association declining by 2.2 percent to 561.2. The

purchase component of the Index decreased by 0.8 percent to 408.8, while the refinance component declined by 4.1 percent to 1,465.9. Compared to May 2005, the Index was down 23.1 percent, as the purchase component was down 15.7 percent while the refinance component declined by 31.9 percent. Mortgage rates continued to climb in May. The contract rate on a 30-year, fixed-rate mortgage rose by nine basis points to 6.60 percent, while the contract rate on a one-year adjustable rate mortgage increased one basis point to 5.63 percent. The typical fixed-rate mortgage is 102 basis points higher than a year ago. The typical adjustable rate mortgage is 140 basis points higher than May 2005. The spread between fixed and adjustable contract mortgage rates decreased to 90 basis points in May, compared to 100 basis points in April and 150 basis points in May 2005.

Maryland Pending Home Sales Index Declined

According to the National Association of Realtors, the Pending Home Sales Index (PHSI) for the U.S. declined for the third consecutive month in April. The Index, which leads existing home sales one to two months in advance, declined by 3.7 percent from its March value to 111.8. Compared to April 2005, the PHSI was down 11.7 percent. Regionally, the April PHSI rose by 1.4 percent in the South to 129.4, but was 5.7 percent below April 2005. In the Northeast, the Index fell 5.5 percent in April to 106.7 and was 9.3 percent

below a year ago. The Index in the Midwest declined 5.6 percent to 100.3 in April and was 16.6 percent lower than April 2005. The Index in the West dropped 9.8 percent to 100.2 in April and was 19.0 percent below a year ago.

Rising mortgage interest rates also pushed April pending home sales down in Maryland. The Maryland Pending Home Sales Index (MPHSI) declined by 2.8 percent to 155.3 in April, signaling a slow down in existing home sales over the next two months. Compared to April 2005, the MPHSI was down 8.2 percent. Overall, the Index was down in thirteen Maryland jurisdictions, but up in eight others.

Maryland Existing Home Sales Slows Down

Existing home sales in Maryland increased by 0.7 percent in April to 6,787 units, but declined by 15.4 percent from a year ago. Existing home sales were the highest in Montgomery County with 1,168 units sold, representing an increase of 5.7 percent from last month, but down 14.2 percent from April 2005. Other jurisdictions with stronger sales in April included Baltimore and Prince George's counties as well as Baltimore City.

Statewide, the April inventory of existing homes for sale was 29,079 units. Due to slower growth in home sales, the months' supply rose to 4.3 months in April, representing a growth of 8.6 percent from last month and 147.0 percent from last year. The supply increase was quite noticeable in Talbot County, where

...continues on page 7

Homeownership Affordability Indices

The April homeownership affordability indices for repeat buyers and first-time homebuyers in Maryland stood at 90 and 58, respectively, representing a 3.9 percent decrease from last month and a decline of 9.7 percent from April 2005.

The April decline in homeownership affordability resulted from an increase in home prices along with a rise in mortgage rates. In April, the median sale price of existing homes in Maryland grew by 2.4 percent to \$305,720 for repeat buyers and to \$259,862 for first-time homebuyers. Effective 30-year mortgage rates rose from 6.38 percent in March to 6.56 percent in April.

Across the state, Montgomery County had the highest median housing price of \$435,000 for repeat buyers and \$369,750 for first-time buyers, up 7.4 percent from a year ago and up 1.8 percent from the

previous month. Garrett County, western Maryland's resort destination, was the least affordable jurisdiction with homeownership affordability indices of 53 for repeat buyers and 34 for first-time buyers. The median home prices in Garrett County in April were \$314,000 for repeat buyers and \$266,900 for first-time buyers. Allegany County, on the other hand, with housing affordability indices of 207 for repeat buyers and 134 for first-timers was the most affordable jurisdiction in Maryland. Median home prices for Allegany County in April were \$80,000 for repeat buyers and \$68,000 for first-time buyers. Home prices increased in 12 jurisdictions, fell in 11, and were unchanged in one jurisdiction. The largest increase in median home prices was 23.5 percent in Wicomico County, while the greatest drop was 23.1 percent in Kent County. ■

The effective mortgage rate of CDA in April was 113 basis points below the average Maryland commercial rate, and 131 basis points below the average national rate.



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inventories rose to a 13.9 months' supply. The supply was below six months in Prince George's, Baltimore, Allegany, Harford, Montgomery, Charles, Howard, St. Mary's, Anne Arundel, Frederick and Carroll counties and Baltimore City. In April, existing Maryland homes remained on the market for 56 days from the day the listing became active, representing a decline of 2.7 percent below March but an increase of 28.2 percent from the previous year. Existing homes for sale remained on the market for 150 days in Dorchester County, the longest in Maryland, but for 37 days in Prince George's County, the shortest. ■

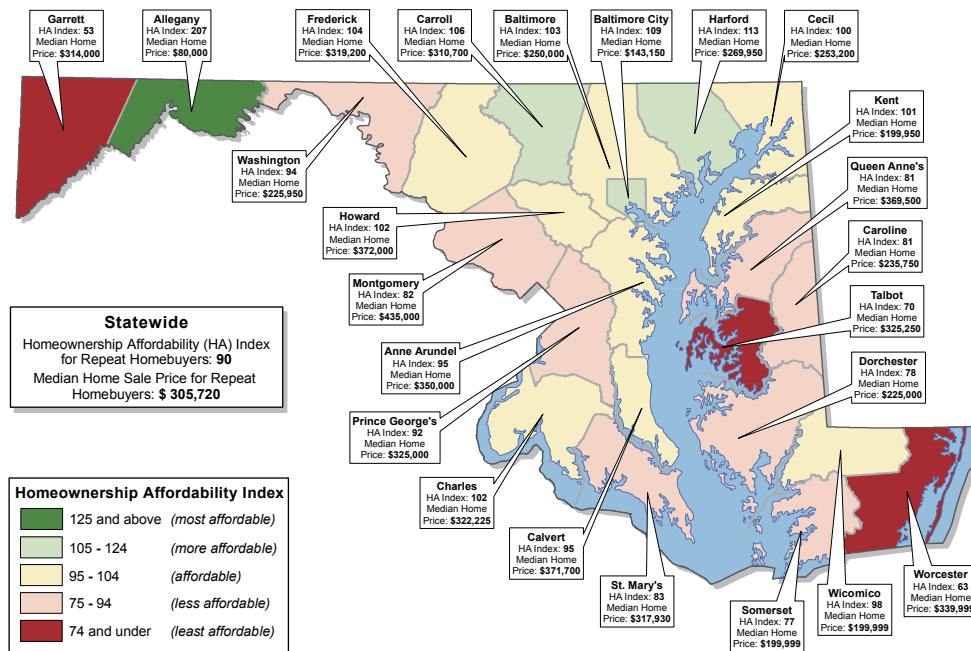
Source: Maryland Department of Housing and Community Development

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HOME SALE PRICES AND AFFORDABILITY INDICES – APRIL 2006

| JURISDICTION | MEDIAN HOME SALE PRICES | | | | HOUSING AFFORDABILITY INDICES | | | |
|-----------------|-------------------------|-------------------|---------------|------------|-------------------------------|-------------------|---------------|------------|
| | Current Month | | % Change From | | Current Month | | % Change From | |
| | Repeat Buyers | First Time Buyers | Last Year | Last Month | Repeat Buyers | First Time Buyers | Last Year | Last Month |
| Allegany | 80,000 | 68,000 | -11.8% | -11.1% | 207 | 134 | 15.1% | 10.7% |
| Anne Arundel | 350,000 | 297,500 | 7.7% | 3.1% | 95 | 61 | -7.1% | -4.6% |
| Baltimore | 250,000 | 212,500 | 10.6% | 0.0% | 103 | 67 | -10.2% | -1.7% |
| Baltimore City | 143,150 | 121,678 | 43.2% | 10.1% | 109 | 70 | -25.8% | -10.6% |
| Calvert | 371,700 | 315,945 | 26.0% | 9.3% | 95 | 61 | -20.6% | -10.0% |
| Caroline | 235,750 | 200,388 | 20.9% | 12.0% | 81 | 52 | -20.4% | -12.2% |
| Carroll | 310,700 | 264,095 | -2.9% | -4.4% | 106 | 69 | 5.4% | 2.9% |
| Cecil | 253,200 | 215,220 | 18.6% | 5.1% | 100 | 65 | -16.6% | -6.4% |
| Charles | 322,225 | 273,891 | 9.2% | -0.9% | 102 | 66 | -7.2% | -0.8% |
| Dorchester | 225,000 | 191,250 | 28.6% | 21.6% | 78 | 51 | -22.0% | -19.1% |
| Frederick | 319,200 | 271,320 | 6.4% | -3.0% | 104 | 67 | -6.7% | 1.4% |
| Garrett | 314,000 | 266,900 | -12.5% | 15.2% | 53 | 34 | 13.1% | -14.6% |
| Harford | 269,950 | 229,458 | 20.8% | 1.9% | 113 | 73 | -15.9% | -3.4% |
| Howard | 372,000 | 316,200 | 6.3% | -2.0% | 102 | 66 | -8.4% | 0.3% |
| Kent | 199,950 | 169,958 | -14.2% | -23.1% | 101 | 65 | 18.0% | 28.0% |
| Montgomery | 435,000 | 369,750 | 7.4% | 1.8% | 82 | 53 | -10.2% | -3.4% |
| Prince George's | 325,000 | 276,250 | 16.1% | 0.3% | 92 | 60 | -10.0% | -1.9% |
| Queen Anne's | 369,500 | 314,075 | -2.9% | 3.2% | 81 | 52 | 0.5% | -4.7% |
| St. Mary's | 317,930 | 270,241 | 6.0% | -5.1% | 83 | 54 | -12.6% | 3.6% |
| Somerset | 199,999 | 169,999 | 66.7% | -2.4% | 77 | 50 | -39.4% | 0.9% |
| Talbot | 325,250 | 276,463 | -0.7% | -18.2% | 70 | 45 | 1.1% | 20.2% |
| Washington | 225,950 | 192,058 | 2.7% | -7.8% | 94 | 61 | -4.4% | 6.7% |
| Wicomico | 199,999 | 169,999 | 21.2% | 23.5% | 98 | 63 | -17.5% | -20.3% |
| Worcester | 339,999 | 288,999 | -4.0% | -5.8% | 63 | 41 | 3.1% | 4.5% |
| Maryland | \$ 305,720 | \$ 259,862 | 10.8% | 2.4% | 90 | 58 | -9.7% | -3.9% |

AFFORDABILITY INDEX FOR REPEAT HOMEBUYERS – APRIL 2006



Source: Maryland Department of Housing and Community Development



...National Economic Digest from front cover

trend economic growth rate that may result in increased inflationary pressures. The gain in the CFNAI was due to significant increases in the production component of the index, as it rose from +0.19 in March to +0.29 in April. Total industrial production rose by 0.8 percent in April, compared to 0.6 percent growth rate experienced in March. The contribution of consumption and housing-related component to the CFNAI remained unchanged at +0.08, as housing activity continued to moderate. The April housing starts were down 7.4 percent, while residential building permits declined by 5.4 percent. Due to weak employment gains in April, the contribution of employment-related component to the CFNAI was -0.01, compared to +0.05 in March. Non-farm payroll employment in April increased by 138,000, significantly below the gain of 200,000 recorded in March. Since December, when the three-month moving average reached a cyclical peak of +0.8, the CFNAI has undergone a gradual but consistent decline. The decline in the three-month moving average suggests a deceleration in the pace of economic activity since January 2006.

Consumer Confidence Retreats in May

The Conference Board's Consumer Confidence Index retreated in May in response to a soft job market, after reaching a near four-year high in April. The May Index dropped by 6.6 points to 103.2, due to declines in both the expectation component and the present situation component. The expectation component was down 8.6 points to 83.7 and the present situation component declined by 3.7 points to 132.5. Consumers' assessment of the current labor market weakened as the share of consumers finding

In the first quarter of 2006, corporate profits from current production set another record, rising by 7.9 percent to \$1,595 billion, indicating that American firms continue to benefit from significant gains in productivity.

jobs hard to get increased by 0.8 points to 20.5 percent while the share of consumers finding jobs plentiful declined by 0.8 points to 28.6 percent. Assessments of business conditions weakened in May as the share of consumers stating business condition as bad increased by 0.3 points to 15.4 percent and those finding the business condition as good declined by 1.7 points to 28.0 percent. Buying plans for homes and autos declined, while consumers' expectations for both higher inflation and higher interest rates increased.

The University of Michigan's Consumer Sentiment Index declined sharply by 8.3 points to 79.1 in May, due mainly to a weak performance by the stock market. The decline was led by a record-breaking 13.1 point drop in the present situation component to 96.1. The expectation component of the Index also dropped, albeit at a lower rate, of 5.2 points, to 68.2. Overall, the drop in consumer confidence indices in May has been due to high energy prices, near record debt burdens, rising interest rates, and the slow down in housing markets, while labor markets were still vibrant. ■



Maryland Department of Housing and Community Development

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